

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 444 - SB 470

February 20, 2011

SUMMARY OF BILL: Adds a new category of employment that is not covered for unemployment insurance benefits and prohibits a worker paid wages of less than \$50 in a quarter for work that is not in the employer's trade from using those wages in establishment of an unemployment insurance claim. Defines regular employment as working all or part of 24 days during a quarter doing work in the course of the employer's trade or business and classifies a worker as regularly employed if the worker was deemed to be regularly employed in the previous quarter.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Up to \$63,000/Unemployment Insurance Trust Fund

**Decrease State Expenditures – Up to \$31,500/Unemployment Insurance Trust Fund/
FY12-13 and Subsequent Years**

Assumptions:

- According to the Department of Labor and Workforce Development (DOL), there are approximately 80,000 wage items per year where an employer reported \$50 or less in wages for a worker.
- There is no information available regarding how many of the 80,000 items were for services outside of the employer's normal course of business. An estimated 50 percent, or 40,000 wage items, per year will be exempt from unemployment insurance premium taxes.
- According to DOL, the average tax rate for unemployment insurance premiums is 3.15 percent.
- There will be a recurring decrease in state revenue to the Unemployment Insurance Trust Fund of \$63,000 $[(40,000 \times \$50) \times 3.15\%]$.
- According to DOL, some claimants will receive a lower benefit amount each week. The precise number of claimants affected and the precise amount by which benefits are affected for each of these claimants cannot reasonably be determined.
- It will take one year for new claims to be filed using the reduced base period wage.

- According to DOL, approximately half of the decrease to state revenue in the Unemployment Insurance Trust Fund will be offset by a decrease in state expenditures from the fund. A decrease to state expenditures of \$31,500 ($\$63,000 \times 50\%$) beginning in FY12-13.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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